

NIGERIA TAX REFORM ACTS: ISSUES AND PERSPECTIVES FOR TAX PRACTITIONERS

By

**DR (Mrs). Justina Okoror PhD, M.sc, MFE, FCA,
FCTI** **Partner, HMAO**

Professional Services

Being the text of a Paper Presented at a One Day Workshop organized by The Society of Women in Taxation on Compliance, Enforcement and Challenges at Benin , Edo State on Wednesday 08 April 2026



HMAO Professional Services

(CHARTERED ACCOUNTANTS AND CONSULTANTS)

OUTLINE

Objectives

Introduction

3

Changes in Corporate Tax

Changes in Personal Income Tax

Changes in Capital Gains Tax

Development Levy

Changes in Value Added Tax

Resident and non Residents

Restriction on the tax exemption status of free zone entities

Tax Incentives

Tax Administration

Tax Planning & Anti-Avoidance Measures

Introduction

- Preamble
- The Nigeria Tax Act, 2025 (NTA): The NTA repeals several tax laws including the Capital Gains Tax Act, the Casino Act, the Companies Income Tax Act, the Industrial Development (Income Tax Relief) Act, Personal Income Tax Act, Stamp Duties Act, Value Added Tax Act and the Venture Capital (Incentives) Act to amend the Nigeria Export Processing Zones Act, the Oil and Gas Free Trade Zone Act, the National Information Technology Development Agency Act.[1] The NTA consolidates statutory provisions on taxation of income, transactions and instruments.
- to

Introduction Cotd

- The Nigeria Tax Administration Act, 2025 (NTAA): The NTAA is focused on the framework for tax collection and administration. It provides statutory processes and procedures for assessment, collection and administration of tax.
- The Nigeria Revenue Service (Establishment) Act, 2025 (NRSEA): The NRSEA repeals the Federal Inland Revenue Service (Establishment) Act[2] and establishes the Nigeria Revenue Service (NRS)[3] as a replacement for the Federal Inland Revenue Service (FIRS). The mandate of the NRS includes the assessment and collection of revenue due and payable to the Government of Nigeria Joint Revenue Board of Nigeria (Establishment) Act, 2025 (JRBNEA):
- This act establishes the Joint Revenue Board, the Tax Appeal Tribunal, and the Office of the Tax Ombud with the aim of ensuring a harmonised and coordinated approach to the settlement of tax disputes and disputes arising from revenue administration in the country
- In view of this encompassing objective, the Joint Revenue Board is statutorily empowered

Changes in Corporate Tax

- 1. Corporate Tax:
- A Small company was previously defined as a company with annual gross turnovers of NGN25million have been redefined to mean a company with annual gross turnovers of NGN100Million and below and total fixed assets not exceeding NGN250Million. There is, however, a caveat, any business providing professional services. Small companies are exempted from corporate income tax. Large companies, on the other hand, are still required to pay income tax at the rate of 30%.

Changes in Corporate Tax Cotd

- Also, the modalities for claiming capital allowance have been amended. Following this recent legislation, initial allowance is no longer claimable on assets, and new restrictions are introduced on allowance claimable on qualifying capital expenditures (QCEs). Profits or gains derived from digital or virtual asset transactions are now taxable. Nigerian companies will now have to pay a minimum effective tax rate (ETR) of 15% of their net income if they are part of a multinational group with an annual turnover of NGN50 Billion or more, or if their total group turnover is EUR750 Million or more.

Changes in Corporate Tax cotd

- A company registered in Nigeria that has any foreign subsidiary taxed below the 15% threshold will be compelled under the new law to make a supplementary tax payment to make up for the shortfall. For company liquidators, there is now an obligation to ensure that all taxes that are due, accrued and unpaid are settled or paid before distributing the assets of the company.[16] Any erring liquidator could bear personal liabilities for the outstanding taxes[17].



Changes in Personal Income Tax

- 2. Personal Income Tax:
- Under the NTA, individuals with annual income of N800,000 (Eight hundred thousand Naira) or less are exempt from paying income tax or Capital Gains Tax (CGT). Payment not exceeding ₦50,000,000 obtained as compensation for employment loss or injury suffered in the course of discharge or employment duties is also tax-exempt. Individuals with annual income higher than the N800,000 (Eight hundred thousand Naira) threshold will be taxed up to a maximum of 25%. [20] as follows;

Changes in Personal Income Tax Cotd

- 0% on the first ₦800,000 (tax-free)
- 15% on ₦800,001 to ₦3,000,000
- 18% on ₦3,000,001 to ₦12,000,000
- 21% on ₦12,000,001 to ₦25,000,000
- 23% on ₦25,000,001 to ₦50,000,000
- 25% on income above ₦50,000,000
- Under the new regime, taxation of employment income is largely predicated on the residence of the taxpayer, i.e. whether the individual is resident in Nigeria or whether the employment duties are performed in Nigeria without incurring any tax liabilities in the actual country of residence.

Changes in Capital Gain Tax

- **3. Capital Gains Tax:**
- Small companies are also exempted from Capital Gains Tax (CGT). Interestingly, the NTA increases CGT rate to 30% for “large” companies. Previously, CGT was chargeable at the rate of 10% under the repealed Capital Gains Tax Act.
- Likewise, CGT rate for individuals is now aligned with the modalities for computing personal income tax under the newly enacted NTA.
- Shares in a Nigerian company are exempted from CGT where the proceeds of disposal of such shares are less than ₦150M and the chargeable gain does

Changes in Capital Gains Tax Cotd

- **3. Capital Gains Tax:**
- Small companies are also exempted from Capital Gains Tax (CGT). Interestingly, the NTA increases CGT rate to 30% for “large” companies. Previously, CGT was chargeable at the rate of 10% under the repealed Capital Gains Tax Act.
- Likewise, CGT rate for individuals is now aligned with the modalities for computing personal income tax under the newly enacted NTA.
- Shares in a Nigerian company are exempted from CGT where the proceeds of disposal of such shares are less than ₦150M and the chargeable gain does not exceed ₦10M in any 12 consecutive months, or the shares are transferred between an approved borrower and a lender in a regulated Securities Lending Transaction.
- Also, CGT will not be applicable where the proceeds of such transfers are reinvested in the acquisition of shares in the same or another Nigerian company within the same year of assessment. CGT will be chargeable proportionately on the portion of the proceeds which are not so reinvested.

Development levy

- **. Development Levy:**
- The NTA introduces a development levy which companies are required to pay at the rate of 4% of their assessable profits (i.e. profits before deducting tax, depreciation and losses). Also, small companies are exempted from paying development levy.
- The Development Levy consolidates the Tertiary Education Tax (TET), National Information Technology Development Agency (NITDA) Levy, the National Agency for Science and Engineering Infrastructure (NASENI) levy and the Police Trust Fund (PTF) levy. i.e. the development levy is a replacement for these abolished earmarked taxes.
- One major drawback with this development is that the levy is payable by all “large” companies irrespective of the sector in which they operate. This creates an additional burden on companies that were not liable to pay any or some of the abolished earmarked taxes because of the sector in which they operate or the nature of their business.

Changes in Value Added Tax

- **5. Value Added Tax (VAT):**
- **Input VAT Recovery –**
- The VAT rate of 7.5% has been retained. Nigeria now adopts globally recognised VAT principles that allow for the claim of input VAT on all purchases including services and fixed assets. Businesses can now recover input VAT provided that the input VAT is directly related to their supplies that are also
- subject to VAT
- **VAT at zero rate on essential goods and services –**
- The NTA expands the list of zero-rated items to include essential goods and services such as basic food items, medical and pharmaceutical products, educational books and materials, electricity generation and transmission services, medical equipment and services, tuition fees, exports (excluding oil and gas exports) etc. The impact of this is that businesses selling these goods and services can recover their VAT costs, despite the zero rate which was previously not possible by law.

Changes in Value Added Tax Cota

- **VAT fiscalisation rules –**
- Nigeria has now codified VAT fiscalisation rules and mandatory e-invoicing for businesses operating in the country. This sets Nigeria apart as an early adopter of e-invoicing in Africa. Companies in Nigeria are now mandated to implement the fiscalisation system deployed by the tax authority for the collection of VAT.
- Update to the VAT sharing formula The Acts reduce the Federal Government's share of VAT from 15% to 10%, while increasing the allocations of states and Local Government Areas to 55% and 35%, respectively. The VAT revenue assigned to states and local governments is further allocated as follows:
- 50% divided equally, 20% based on population, and 30% based on place of consumption.

Changes in Value Added Tax Cotd


- Increased penalties for non-compliance - There has been a significant increase in non-compliance penalties and the introduction of new penalties. Some of the updates include increase in the penalty for failure to file returns to NGN100,000 in the first month, and NGN50,000 for every month the failure
- continues, introduction of new penalties such as penalty of NGN5million for awarding contracts to individuals or entities that are not registered for tax, penalties for failure to grant access for deployment of technology, inducing a tax officer etc.
- Under the new law, more items deemed essential to daily living have been designated as “zero-rated items” for VAT purposes, including basic food items, tuition payable to academic institutions, medical products, pharmaceutical products, educational materials, medical equipment, health care services, electricity distribution, exports that are not oil and gas, etc.

Resident and Non-Resident Individuals

- - PIT will apply to the worldwide income of a resident individual which is now clearly defined in the new Act. Prior to now there had been varied interpretations due to a lack of proper definition of “residence”. With the definition extending to individuals with substantial economic and immediate family ties in a year of assessment, the law
- widens the tax net. Employment income will now be taxed in Nigeria only if the individual is resident in Nigeria or performs duties in Nigeria without paying tax in their country of residence.

Resident and Non resident Cotd

- **Taxable profits of non-residents –**
- The NTA expands the scope of the activities of non-resident companies that are subject to tax in Nigeria. Notably, the NTA introduces "force of attraction" rules. Under these rules, certain activities carried out by a non-resident company or its related parties, can be taxed as part of the non-resident company's permanent establishment (PE) in Nigeria, even if those activities are not physically conducted through the PE. In addition, profits from Engineering, Procurement, and Construction contracts can be taxed in Nigeria, even if some of the activities are performed under separate contracts or outside Nigeria.

- 
- **Minimum Tax for Non-resident companies –**
 - Non-resident companies who have a taxable presence in Nigeria will now be subject to minimum tax based on the percentage of their earnings before interest and tax (EBIT) to the total income generated from Nigeria. In any case, tax payable by such companies cannot be less than the withholding tax (WHT) rate applicable to the income, or 4% of the income

. Restriction on the tax exemption status of free zone entities –

- Free Zone companies will continue to enjoy full tax exemption on their exports, or output that go into goods or services eventually exported, or supplied to oil and gas companies. Proportionate taxes apply where more than 25% of the Free Zone company's sales are made to the customs territory. From 1 January 2028, the full profits of Free Zone entities will be subject to tax if they make any sales to the customs territory.

Tax Incentives

- Ideally, taxation and fiscal policies are not the only factors investors consider when taking strategic decisions; however, taxation is a strategic tool for incentivizing economic development. The recent tax reform seeks to engender and incentivize economic development activities by providing the following incentives:
- Income generated by companies engaged in agricultural businesses, including crop production, livestock, aquaculture, forestry, dairy, cocoa processing and manufacturing of animal feeds will be exempt from income tax for the first five (5) years from the commencement of business.

Tax Incentives Cotd

- Pioneer status incentives have been replaced with an “Economic Development Incentive” (EDI), which essentially grants a tax credit of 5% per annum for 5 years on qualifying capital expenditure purchased by eligible companies within 5 years, effective from the production date. Unutilized credits can be carried forward for another 5 years only.
- exemption from Withholding Tax (WHT) on the sale of locally manufactured goods.

Tax Planning & Anti-Avoidance

Measures:

- Under the NTAA, businesses are required to voluntarily inform tax authorities of any tax planning scheme or tools geared towards deriving tax advantage, tax benefits or gains from a favourable tax outcome. This includes reducing, eliminating or minimising tax exposures, optimizing utilisation of tax assets and claims for tax repayments, postponing or accelerating tax payments, avoiding statutory tax deduction or remittance obligations, and obtaining new or enhanced tax reliefs.
- Additionally, the tax authorities are empowered to disregard tax avoidance schemes or arrangements or revoke attendant tax benefits associated with such schemes or arrangements if they are deemed artificial or contrary to objective statutory intentment.
-

Tax Planning Cotd

- Section 29 of the NTA empowers the tax authority to impose presumptive tax. The section expressly provides that where for all practical purposes, the income of a tax payer cannot be ascertained or records are not kept in such a manner as to enable proper assessment of income, then such tax payer will be assessed on such terms and conditions as may be prescribed by the Minister on the advice of the Joint Revenue Board in a regulation under a presumptive tax regime. Presumptive tax is a simpler way for tax authorities to figure out how much tax is payable when the real income of a taxpayer cannot be easily ascertained. taxed in Nigeria.

Tax Planning Cotd

- This often happens when there are no proper financial records or if the records are insufficient. Instead of using official accounting books, the tax authority can rely on other indicative clues like business turnover, benchmarking, the type of business, comparative analysis, the value of assets, etc., in raising a presumptive tax assessment.
- The NTA also introduces the Controlled Foreign Corporation Rules (CFC rules) to stop companies from shifting or keeping profits away. If a Nigerian company's foreign subsidiary company retains profits that ought to have been distributed as dividends, etc, without any negative or adverse impact on its business, such profits will be treated as if they were distributed and will be

Tax Collection and Administration:

- The Federal Inland Revenue Service (FIRS) has been renamed the Nigeria Revenue Service (NRS) under the NRSEA to reflect its responsibilities as the body to assess, collect and account for revenue due to the federation.
- The NRSEA also provides for the autonomy of State Internal Revenue Services and the framework for joint audits or securing the support of the NRS in tax collection and administration.
- Under the newly enacted NTAA, all taxpayers, including public institutions and government agencies at the federal, state, and local levels, are required to register and obtain a Tax Identification Number.
- Also, non-resident individuals or entities deriving income from business activities in Nigeria (aside from passive investment income) are also required to register for tax purposes and obtain a TIN.

Tax Ombuds Office

- The Tax Ombuds office is established under the Act to communicate and engage with the tax authorities on behalf of taxpayers as an independent body for the purpose of reviewing or settling complaints concerning taxes, levies, fees, or other regulatory charges.
- The Joint Revenue Board is also established under the JRBNEA as a platform or forum for collaborative engagement amongst tax authorities. The Joint Revenue Board is made up of representatives from the State Revenue Services, the NRS, and relevant stakeholders. The JRBNEA is principally aimed at:
 - Providing a legal and institutional framework for the harmonisation and coordination of revenue administration in Nigeria.
 - Providing a mechanism for efficient tax dispute resolution; and Promoting and safeguarding the rights of the taxpayers.

Introduction of Economic Development Incentive –

- The Acts replace the “pioneer” tax holiday incentive, with an “Economic Development Incentive” (or EDI). This incentive introduces a tax credit of 5% per annum for 5 years on qualifying capital expenditure purchased by eligible companies within 5 years effective from the production date. If a company has unused tax credits or qualifying capital expenses, it can carry them forward for another 5 years. Any credits still unused after this timeline will expire.

Conclusion

Tax Practitioners should not only be seen to understand these changes but should be seen to helping their clients to comply. The changes in the laws are transformative and should be supported by tax practitioners . However

Tax Practioners are also service providers and there are many who do not earn up to 50 million or 100 million naira a year and should enjoy tax exemptions.



Thank you for listening.